

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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FM AMEMBASSY SANTIAGO

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TAGS: EIND, EINV, CI

SUBJECT: ANNOUNCEMENT OF AUTOMOTIVE ASSEMBLY BID WINNERS

REF: SANTIAGO MEMCON DATED JULY 25; SANTIAGO 3311

1. BEGIN SUMMARY. PRESIDENT PINOCHET ANNOUNCED LATE AUGUST 18 SELECTION OF FOREIGN BIDDERS TO ASSEMBLE AUTOMOBILES AND TRUCKS IN CHILE. WINNERS ARE GENERAL MOTORS, FIAT, AND PEUGEOT/RENAULT. LOSERS -- NISSAN AND VOLKSWAGEN - COMPLETED THE LIST OF FIVE FINALISTS IN THE COMPETITION. END SUMMARY.

2. PRESIDENT PINOCHET UPON ANNOUNCING THE THREE WINNERS WENT ON TO SAY: "THE INDUSTRIAL PROJECTS PRESENTED BY THESE FIRMS INCLUDE, IN ADDITION TO FULL UTILIZATION OF THEIR EXISTING FACILITIES, THE CONSTRUCTION IN CHILE OF TRANSMISSIONS AND DRIVESHAFTS, GASOLINE AND DIESEL MOTORS.... IN TOTAL THESE PROJECTS SHOULD AMOUNT TO DIRECT INVESTMENT IN THE SUM OF \$100 MILLION DURING THE COMING YEARS."

3. CORPORACION DE FOMENTO (CORFO) OFFICIALS FOLLOWED PINOCHET'S STATEMENT WITH COMMENTS TO PRESS REGARDING THE DIMENSIONS OF CHILE'S FUTURE AUTOMOTIVE INDUSTRY. EMPHASIZING THAT ALL STEPS

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WOULD BE TAKEN TO ENSURE COMPETITION AND LOW UNIT PRICES, THE

CORFO OFFICIALS ANNOUNCED THAT LIBERAL IMPORTS OF NEW AND USED CARS AND TRUCKS WOULD BE ALLOWED AS OF JANUARY 1, 1976. DUTY LEVELS ON THESE IMPORTS WILL BEGIN AT 115 PERCENT AD VALOREM DURING 1976-78 AND GRADUALLY BE LOWERED TO 55 PERCENT BY 1983.

4. FIAT AND PEUGEOT/RENAULT ALREADY HAVE ASSEMBLY PLANTS NEAR SANTIAGO. GENERAL MOTORS HAS A TRUCK ASSEMBLY UNIT LOCATED IN ARICA. ACCORDING TO PRESS, ALL THREE FIRMS CONTEMPLATE EXPANSION OF THESE FACILITIES.

5. COMMENT: THIS AUTHORITATIVE ANNOUNCEMENT OF THE BIG WINNERS IS LATEST OF A SERIES OF GOC PRONOUNCEMENTS ON THE AUTOMOTIVE ASSEMBLY QUESTION IN CHILE OVER THE PAST FEW YEARS. NUMBER OF HARD PRACTICAL QUESTIONS STILL REMAIN TO BE RESOLVED. THESE INCLUDE: WHO WILL PRODUCE WHAT LINES; DISPOSITION OF FORD'S LARGE CASABLANCE PLANT; THE EFFECT OF IMPORT COMPETITION (AUTOMOBILE IMPORTS HAVE BEEN PROHIBITED IN PRINCIPLE SINCE THE EARLY 60'S); AND THE OUTCOME OF AUTOMOTIVE NEGOTIATIONS WITH ANDEAN PACT MEMBERS.

6. LOCAL GM MANAGER, WHO TOLD EMBASSY HE HAD STILL NOT BEEN INFORMED OF AWARD BY GOC, SAID THE ANNOUNCEMENT CONTAINED NO SURPRISES BUT THAT CONSIDERABLE NUMBER OF "ECONOMIC" QUESTIONS REMAINED TO BE ANSWERED BEFORE GM WOULD BE ABLE TO DECIDE WHETHER TO PARTICIPATE. IN ANY CASE, GM WILL NOT BE ABLE TO BEGIN DETAILED NEGOTIATIONS UNTIL A DECREE LAW CONFIRMING THE GENERAL STATEMENT BY PINOCHET IS ISSUED. GM REP SAID \$100 MILLION TOTAL INVESTMENT FIGURE MENTIONED IN ANNOUNCEMENT WAS, UNDER ANY CIRCUMSTANCES, WILDLY OPTIMISTIC.
POPPER

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